

FAMILY INDEPENDENCE PROGRAM

Ten Years In Review...

2007

ANNUAL REPORT

Helping Low-Income Families To Work

Donald L. Carcieri
Governor

Gary D. Alexander
Acting Director

Rhode Island Department of Human Services

Profile Of FIP Caseload IN 2006

TOTAL NUMBER OF FIP FAMILIES 10,755

| | |
|----------------------------------|-----|
| Households with 1 parent | 53% |
| Households with 2 parents | 8% |
| Households with child-only cases | 39% |

Number of Children in FIP families

| | | |
|----|----------|-----|
| 1 | child | 47% |
| 2 | children | 30% |
| 3 | children | 15% |
| 4+ | children | 8% |

PRIMARY LANGUAGE SPOKEN

| | |
|--------------------|------|
| English | 79 % |
| Spanish | 18 % |
| Other/Not Reported | 3% |

ETHNICITY

| | |
|--------------------|-------|
| White | 37.6% |
| Hispanic | 29.3% |
| Black | 14.6% |
| Asian | 2.8% |
| Native American | 0.4% |
| Other/Not Reported | 15.3% |

EDUCATION LEVEL REPORTED BY PARENT(S)

| | |
|----------------------|------|
| 12th grade or higher | 51 % |
| Less than 12th grade | 49 % |

HOUSING

Approximately 30% of FIP families live in subsidized housing

TEEN PARENTS

| | |
|----------------------------|-----|
| Teen parents age 18 and 19 | 863 |
| Teen parents under age 18 | 52 |

- 1,206 teen parents were on cash in 1997;
- 914 were on cash in December 2006, which is a 25% decrease in teen parent caseload.

Other FIP Facts And Highlights 2006

FIP OPENINGS AND CLOSINGS FOR THE YEAR:

- 6,885 families were opened to FIP cash assistance
- 7,855 families closed to FIP in 2006; of those:
 - 3,503 (46%) closed due to employment
 - 4,352 (54%) closed for other reasons, such as time limits, voluntary withdrawal, moving to other states, and non-cooperation with FIP requirements.

FIP CASELOAD DECLINED BY 1,319 CASES (11%) IN JUST ONE YEAR - 2006:

- This represents an 11% decline in just one year and 43% decline since FIP began in May 1997.

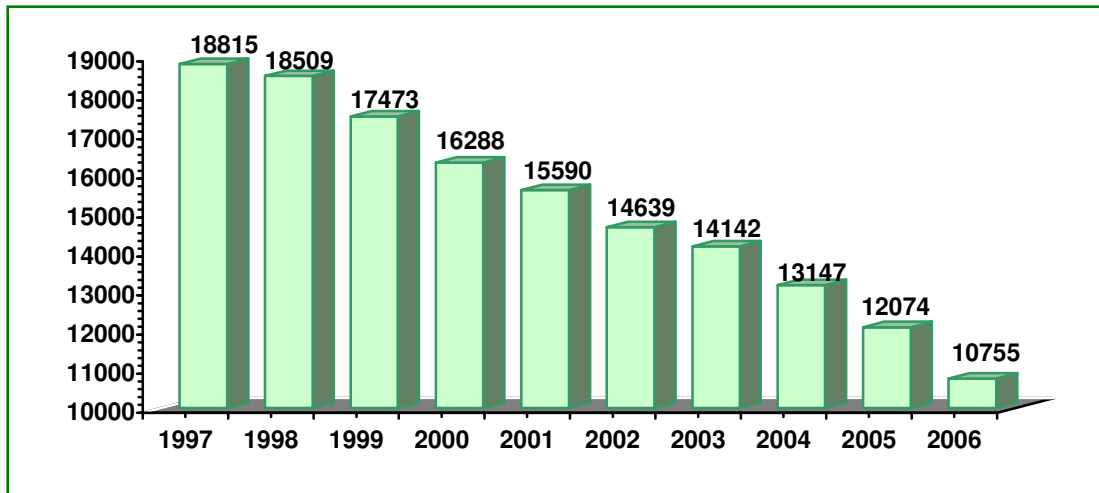
CHILD-ONLY CASES HAVE BEEN GROWING PROPORTIONATELY OVER THE LAST 10 YEARS, FROM 14% IN 1997 TO 39% IN DECEMBER 2006:

- Of 10,755 total cases on FIP in December 2006, 4,232 (39%) are Child-Only cases meaning adults do not qualify for FIP payment.
- Reasons for Child-Only cases:
 - 1476 (34.8%) parent(s) on SSI
 - 1,636 (38.7%) parents closed due to time limits
 - 1012 (23.9%) non-qualified/non-citizen parents
 - 108 (2.6%)live with non-parent caretaker relatives

PERCENTAGE OF FAMILIES MOVING TO RHODE ISLAND FROM OUT OF STATE:

- In 2006, 721 new families on FIP moved to RI from other states as compared to 1996 which had 1,225 new families on FIP came from other states.
- Since 2001, R. I. has had a net out-migration of families moving to other states. These cases are closed to FIP because they fail the RI residency requirement.

Family Independence Program Caseload
May 1, 1997 To December 31, 2006
43% Decline Over Ten Years



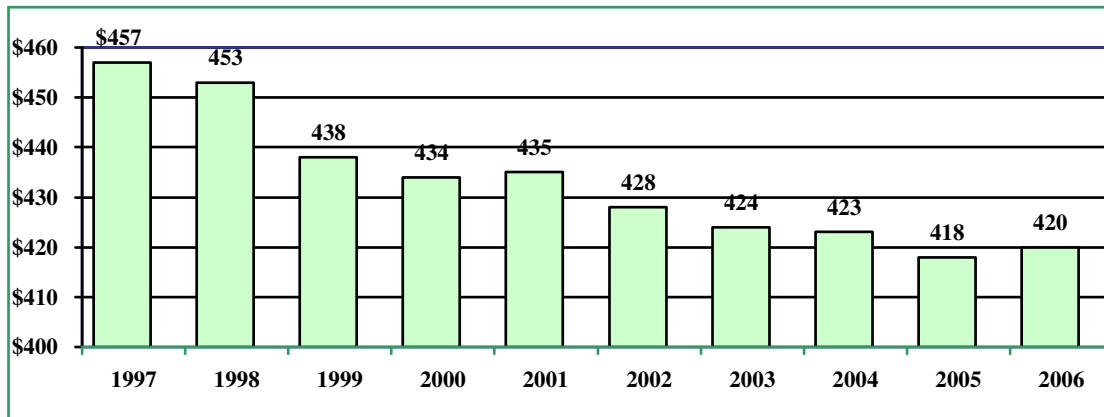
AFDC/Family Independence Program
Expenditures (in millions) By Fund Source



State expenditures for FIP cash assistance cases have declined significantly as reflected in the expenditure chart above. Savings in State expenditures resulting from lower FIP case-loads are reinvested primarily in the area of low-income child care for working parents.

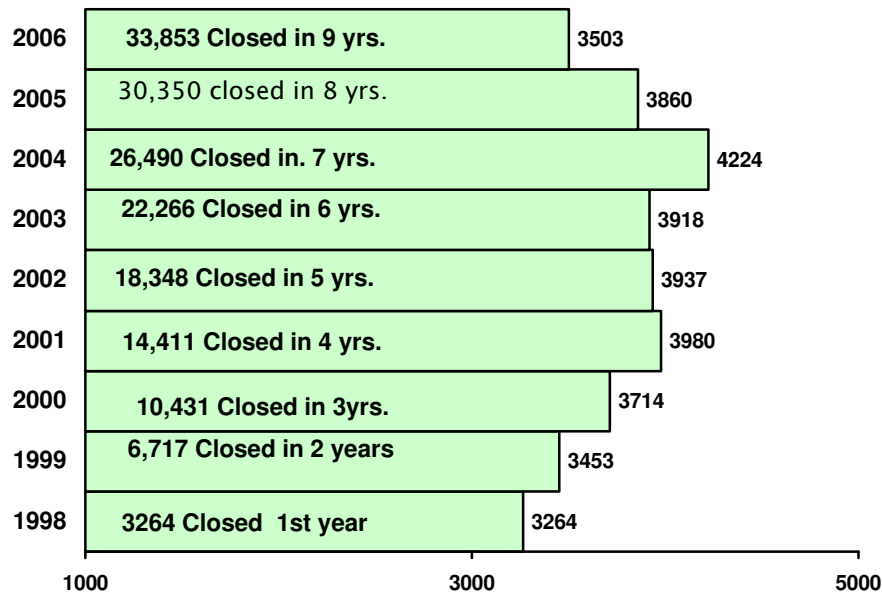
FIP Average Monthly Cost Per Case

1997-2006



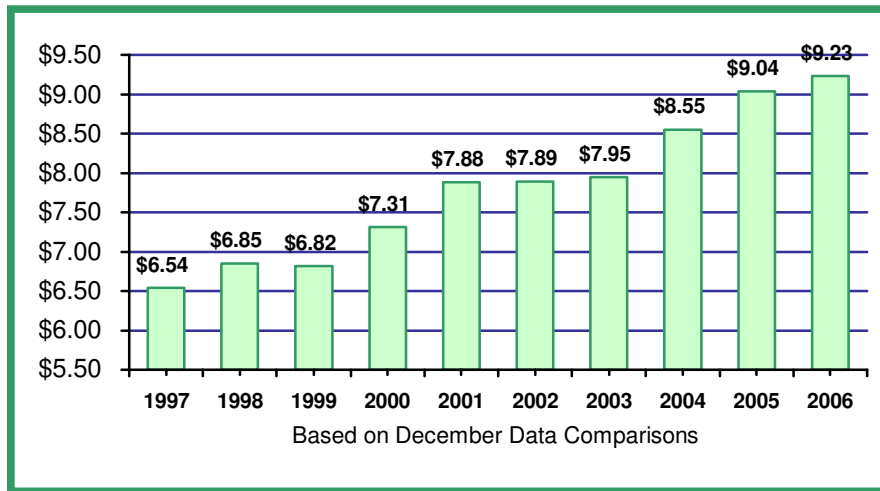
The average monthly cost per case has also decreased. Under the FIP work incentive formula, an employed family retains the first \$170 of monthly earnings plus 50% of the remaining monthly earnings. Working FIP parents and their families continue to receive reduced cash assistance payments until earnings equal or exceed the FIP monthly payment. {Under FIP, a family of three (3) will close once their gross monthly earnings reach \$1,278}

Annual Number of Families Closing to FIP Due to Employment



Cumulatively, 33,853 FIP families have joined the workforce since 1998. While some may return to FIP due to layoffs or other reasons, most often these families return to the workforce as soon as possible.

**FIP Average Hourly Wages at Job Entry
Continues to Increase Every Year**



**WORK PAYS for FIP Parents Who Meet their 30 Hour Requirement
Comparison Of Household Income**

WORKING VS NON-WORKING

30 HOUR JOB
One Parent/2 children

NON-WORKING FAMILY
One Parent/2 children

Child Support could increase income by \$2,964/year

| | |
|--|-----------------|
| Hourly Wage: | \$ 7.40 |
| Hours Per Week: | 30 |
| Number of weeks: | 52 |
| Gross Annual Earnings: | \$11,535 |
| Supplemental FIP Grant for Year: | + 1,900 |
| Food Stamps for Year (using Max. Shelter Deduction) | +4,056 |
| Federal EITC: | +4,536 |
| Child Tax Credit: | + 37 |
| State EITC | + 170 |
| TOTAL FAMILY INCOME : | \$22,036 |
| Less Social Security | - 716 |
| Less Medicare | - 167 |
| Less TDI | - 150 |
| TOTAL ANNUAL DEDUCT. | -1,033 |
| Child Care Co-Payment | 0 |
| RtE Care Co-payment | 0 |

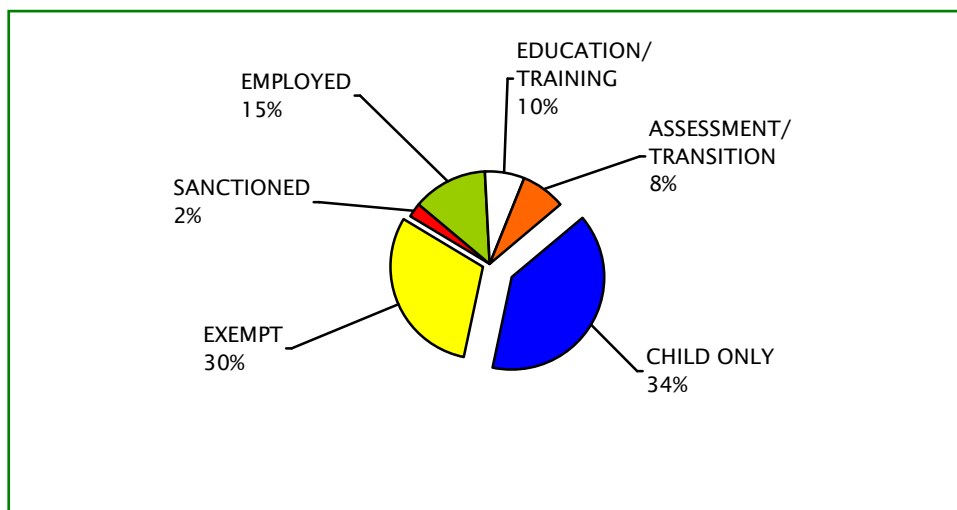
NET INCOME FOR YEAR: \$21,003

| | |
|---|-----------------|
| FIP Grant Only: | \$554/month |
| Number of months/year | \$6,648 |
| Food Stamps for Year (using Maximum shelter deduction: | \$4,716 |
| TOTAL FAMILY INCOME: | \$11,364 |

NET FAMILY INCOME FOR YR.: \$11,364

Activity Status of FIP Families in December 2006

(Based on a total caseload of 10,755)



**Number of FIP Parents Required to Participate
in either Work or Training
3,246 (31% of total caseload)**

- 1,427 were Employed (earnings still qualified them for reduced FIP cash benefit)
- 735 were in Education/Training (active in GED/ESL/skills training/post secondary education)
- 840 were in Assessment/Transition (parents who have completed one activity in their employment plan but have not yet entered the next activity, or parents who are in process of assessment and plan development)
- 244 were in Partial Sanction (parents on a reduced grant are sanctioned for not complying with their employment plan for up to 6 months, after which they close due to full family sanction).

Number of FIP Cases Not Required to Meet Work Activities

7,509 (69% of Total Caseload)

- 4,232 (39%) were Child Only Cases (parent or caretaker relative does not qualify for FIP cash assistance or the parent of the child(ren) have exhausted their 60-month time limit).
- 3,277 (30%) were exempt from requirements (due to illness, pregnancy, child under 1 in family, over 60 years of age, or are victims of domestic violence).

DHS Office of Child Support Does its Part to Help
FIP Families Achieve Independence

- 58,082 Cases were open to Child Support at the End of Federal Fiscal Year 2006
 - 12,490 of those cases are currently on FIP cash assistance
 - 30,930 of those cases were formerly on FIP cash assistance
 - 14,662 remaining cases were never on FIP cash assistance, however, any child support collected in their behalf was distributed directly to the family by OCSS.
- \$9,911,111 was distributed during the quarter ending December 31, 2006 directly to families
 - \$6,893,936 (69.6%) was distributed to former FIP families (and)
 - \$1,407,362 (14.2%) was related to FIP collections

Major Changes to FIP
In 2006

A number of amendments to FIA which were proposed by the Governor and enacted by the R. I. General Assembly in 2006, which led to major changes in FIP which affected both applicants and recipients of assistance in RI:

- Applicants and recipients (unless they meet an exemption) must enter into and sign an Employment Plan as a condition of eligibility for cash assistance;
- The Department instituted a requirement of counting the time on assistance from other states which is verified and included in a family's FIP Time Limit;
- FIP parents who are not complying with requirements with their FIP Employment Plan may receive a reduced FIP payment, referred to as a partial sanction, for up to 6 months unless they agree to comply sooner. However, after 6 months, if their non-compliance continues, the entire family, including the children, is closed to cash assistance. This is referred to as a full family sanction.
- There is a limit on the time a parent can carry out their job search/job readiness activities. Consistent with federal TANF regulations, individuals in job search can participate for no more than 4 consecutive weeks or a maximum of 6 weeks in a 12-month period of time. This applies to single parents on assistance for more than 25 months.
- All two-parent households, even if only one parent receives cash assistance, must meet the 35 hour work requirement;

Welfare Reform Implementation Task Force (WRITF)

A Ten Year Commitment to Children and Families

Since passage of the Family Independence Act (FIA) of 1996, the Welfare Reform Implementation Task Force (WRITF) chaired by Linda Katz, Policy Director of the Rhode Island College (RIC) Poverty Institute has continued to work closely with the Department in the implementation of the FIP program. The WRITF of approximately 35 to 45 representatives from a broad spectrum of community organizations, service providers, parents, advocates and policy leaders from throughout the state continues to represent the needs of families on FIP and works to assure that the most appropriate mix of supports and services are offered to help families successfully transition into work. Meeting no less than monthly throughout the year, the Task Force tackles such issues as family needs and supports, learning disabilities services, domestic violence prevention and advocacy, training for jobs with reasonable wages sufficient to support families and children.

During 2006 and for the entire ten years of FIP, there has been a close and enduring commitment in working through some difficult and challenging periods. As RI experienced serious budgetary constraints during the recent years, FIA was changed to include greater requirements on applicants and recipients. The WRITF worked tirelessly to insure that these changes would not overshadow the needs of children.

With the passage of the Deficit Reduction Act (DRA) in Congress, which included TANF Reauthorization, federal regulations were issued in 2006 requiring states to administer their TANF programs with greater emphasis on accountability and far less flexibility than its predecessor TANF I

Working closely with the WRITF has become more important than ever. Ensuring that the Task Force has an understanding of the new federal law and the attendant risks of financial penalties for states going forward is critical.

This unique partnership has resulted in more than ten (10) years of dedication to families and children who have been part of the FIP program. Each year has presented the Task Force and the Department with opportunities and challenges and this partnership remains a critical resource to this Department and the families served by FIP, food stamps, child care and health care. DHS is grateful for their dedication.

The following is a list of organizations represented on the WRITF:

RI Coalition Against Domestic Violence, RI Housing, RI Kids Count, RI College, Dorcas Place Literacy Center, SER- Jobs for Progress, Genesis Center, About Families-CEDARR, East Bay CAP, Comprehensive CAP, Goodwill of RI, Westbay CAP, George Wiley Center, South County Mental Health Center, Providence Housing Authority, Newport Housing, Care-New England, South County CAP, Visiting Nurse Service of RI, RI Parents for Progress, Project LEARN Adult & Family Literacy, RI Department of Labor and Training, Women and Infants Hospital, United Way of RI, Lifespan, University of RI, RI Legal Services, RI Parent Information Network, RI Public Expenditure Council, Women's Resource Center, Workforce Solutions of RI, International Institute of RI, RIC Poverty Institute, Community College of RI, RI CAP Association, Urban League of RI, Tri-Town CAP, Woonsocket Head Start, Blackstone Valley CAP, Woonsocket Family Resources Community Action, RI Department of Education.

Office of Health and Human Services
Collaboration and Coordination
In State Government

During 2006 the newly established Secretariat's Office of Health and Human Services facilitated significant collaboration and coordination with the state's human service agencies in order to strengthen and reinforce a shared interest in helping families. Working through the many cross-cutting policy and program issues has become much more strategic through this integrated approach, particularly as it relates to those children at high risk of neglect and abuse. Providing them with a coordinated set of services to meet their needs has gone a long way in avoiding unnecessary tragedy. With these shared goals, a small workgroup of administrators and field staff from DHS and DCYF, along with the Child Welfare Institute and the RIC Poverty Institute conducted statewide training for all DHS FIP field staff and DCYF service staff as part of an overall implementation of a new service integration plan for families who may be involved in both agencies at the same time.

Improved communication combined with a systematic approach to working together with parents assures that

families are not caught between two (2) disconnected service plan requirements. Better and more timely communication amongst and between all parties, including parents and families has resulted.

Other DHS inter-departmental partnerships have also improved overall service delivery and include such initiatives as the Adult Literacy Task Force campaign to increase adult education resources throughout the state; joint efforts in promoting and facilitating access to job opportunities for FIP parents with Department of Labor and Training (DLT), NETWORKRI Centers, Department of Economic Development (DED), and working with R I Department of Health on issues related to the health and wellness of teen parents and their babies and pregnancy prevention have all been a focus of work this past year.

Prisoner Re-entry workgroups have brought together members from DHS as well as DOC and other parties in order to creatively address the transition from the judicial system to the family system, as appropriate.

This effort will continue throughout the coming year.

Promoting Earned Income Tax Credits (EITC)
Special Partnership with
United Way of Rhode Island

During 2005 and 2006, the Department worked with United Way of Rhode Island on an annual outreach campaign to promote greater awareness of both State and Federal Earned Income Tax Credits. DHS participated in this effort by sending out approximately 30, 000 flyers per year to low income working households who receive FIP, Food Stamps, RIte Care and/or Child Care to announce the availability of free tax preparation services, including the filing for State and Federal EITC.

Feedback from the IRS indicated that a significant increase in the number of EITC filers was noted which

means that more dollars were distributed into the pockets of low income working families and ultimately into this state's economy.

EITC is regarded by employers, community based organizations, advocates and most importantly the individuals employed in the workforce, as one of the most significant work supports available and the fact that Rhode Island has taken enormous interest in helping workers by increasing the amount of the state refund sends a powerful message of respect and encouragement to those workers who received this credit. As one worker commented, "...This is a big touchdown for the lawmakers in this state.

State and Federal Programs

How does the funding work?

FIA and TANF:

In 1996, the Rhode Island General Assembly enacted new legislation to reform the state's welfare program for children and families called the RI Family Independence Act (FIA) of 1996.

1996 was also the year that Congress passed national welfare reform. With the passage of the Temporary Assistance for Needy Families (TANF) program, federal legislation required all states to establish programs using a uniform guidepost upon which to build and fund services in accord with the law. That meant that as long as a state administered its programs in accord with the four basic purposes of TANF, then funding under the TANF Block Grant could be allowed. With some flexibility, states were able to design and administer new approaches to services, however, only if it could clearly demonstrate that these programs tied into one or more of the four purposes of TANF, which are:

- a) Provide assistance to needy families so children may be cared for in their own homes or in the home of a relative;
- b) End the dependence of needy parents on government benefits by promoting job preparation, work and marriage;
- c) Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies, and
- d) Encourage the formation and maintenance of two-parent families.

TANF Spending Basics:

- Each state receives a TANF Block Grant to partially fund its cash assistance program. However there is State "Maintenance of Effort" (MOE) requirement in order to draw down the federal block grant dollars.
- For the State share, each state's annual spending on TANF-related programs must equal at least 80 percent of its level of spending on the former AFDC-related program in 1994.
- States that meet the work participation rates, however, (both the all-family 50% rate and the two-parent family rate of 90%) need only spend 75% of what they spent in 1994.
- Rhode Island's TANF Block Grant is approximately \$95 million dollars per year. In order to draw down this Block Grant, the State must identify no less than 75% of its 1994 level of spending on the former AFDC program and this MOE amount can only be spent on one or more of the clearly articulated purposes of TANF. The RI FIP Program has traditionally met its MOE requirements through a number of child and family support programs funded by state dollars, such as child care assistance for FIP parents and low income working families, many of whom were former FIP families.

The U.S. Department of Health and Human Services administers the TANF program. TANF holds states to absolute requirements that must be met including work participation rates, time limited benefits, and extensive reporting requirements. States who do not meet these specific requirements risk significant financial penalties – 5% of the TANF Block Grant which for RI amounts to \$4.75 million dollars a year.

In 2006, the Federal TANF Program was Reauthorized as part of the Deficit Reduction Act (DRA). DRA significantly changed the structure of Federal TANF work requirements. Moreover, the interim final regulations issued in June 2006 adopted narrow definitions of the work activities that can count toward the work rates and instituted new and stringent requirements related to state monitoring of recipients' participation in work activities. Also part of the new TANF Program is the addition of a new financial penalty on states who fail to carry out the new monitoring and documentation requirements or who do not have proper internal controls in place.

Effective October 1, 2006 the new and restructured TANF program went into effect. Since that time, the Department has completed most of the first year phase-in steps in order to comply with all federal requirements outlined in the new regulations including:

- a) Submission of a new TANF Work Verification Plan;
- b) Preliminary training on new reporting requirements for all FIP staff and service providers who work with FIP parents;
- c) Development stages of a new web-based reporting system to replace in interim paper reporting process started on October 1.

In accord with the TANF Interim regulations, states have this first year to implement the new TANF program requirements, but will not be subject to fiscal penalties related to these new reporting requirements until October 1, 2007. This was intended to give States some time to develop and perfect their reporting systems and internal controls.

The RI FIP program has been able to meet its all-family participation rate of 50% in the past by using two key provisions in TANF:

- 1) reporting all cases meeting countable work activities and hourly requirements, as defined in TANF regulations; and
- 2) by submitting a caseload reduction credit report based upon the total caseload decline compared to 1995, and data related to other qualifying factors. Combined, these factors provide the basis for calculating a reduced participation rate which is used to determine if a State has satisfied the federal work participation rate requirements. .

“Work-Eligible Individuals”

A new and troubling change in TANF relates to the need to add into the caseload count, individuals who are not in the payment themselves, but who reside with a child(ren) who receives cash assistance. These are Child-Only cases which, under former TANF, were not in the participation rate calculation. They have not been required to be in work activities until now, and all states, particularly Rhode Island which continues cash assistance to children even after the parent closes due to reaching their 60 month lifetime limit, must try to engage these adults in countable work activities and track their compliance or run an extremely high risk of failing on the all families 50% participation rate. As mentioned earlier in this report, the potential for a 5% TANF penalty is real.

The challenge for RI rests on our ability--as a State--to achieve an appropriate balance between investments of the State and mandates of the federally regulated TANF program.

SPOTLIGHT ON THE FUTURE!!!

The RI Family Independence Program will be facing greater challenges in the future than in the past. The caseload has continued to go down significantly (43%) since FIP began, but the rules of engagement have changed on both state and federal levels. The population remaining with the program have significant needs which could not be addressed in the short term. Not surprisingly, it will be necessary to re-examine some of the FIP programs and policies to better assure we are in step with the federal program.

- There may be opportunities to design front-end programs for applicants which divert them from regular cash assistance by offering expedited services and short-term non-recurring benefits.
- RI – like many other states -- may decide to move some of the most needy families out of TANF/MOE programs and into a state-only non-TANF program.
- FIA allowable activities are broader and inconsistent with TANF countable activities which are more narrowly defined; where adjustments or changes make sense, the State could move in to closer alignment with TANF in order to maximize effort and to the extent possible, avoid federal penalties.
- Find ways of streamlining the Program in a responsible way would help with internal controls as required by the new federal regulations. Our capacity to carry out this program is critical to assuring an effective and successful result for the State and most of all for the families.
- “Work” needs to be promoted as the anti-dote to poverty, and we need to keep the focus on that point.

Meeting the range of federal and state regulations and mandates in an environment of fiscal constraints will likely force even more changes in FIP program over the coming years. The Department will remain vigilant in its careful administration of this and other major programs and will maximize resources to the fullest extent possible to make sure that services are delivered to those who need them most.

Rhode Island Department of Human Services
600 New London Avenue
Cranston, Rhode Island 02920
www.dhs.ri.gov